

Message Text

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PAGE 01 CARACA 05572 161843Z
ACTION ABF-01

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P R 161751Z JUN 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 2699
INFO AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA
AMEMBASSY PANAMA
AMEMBASSY QUITO
AMCONSUL RIO DE JANEIRO
AMEMBASSY SANTIAGO

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E.O. 11652: N/A
TAGS: AGAO
SUBJECT: GAO REVIEW: "TRAINING PROVIDED LDC NATIONALS IN
FINANCIAL MANAGEMENT, AUDIT AND EVALUATIONS"

REFS: (A) STATE 146150, (B) CARACAS 5082, (C) STATE 140827
(D) CARACAS 5340, (E) CARACAS 5339, (F) CARACAS 5338,
(G) CARACAS 5335

1. REF A IDENTIFIES THE PROPOSED REVIEW AS A REGULAR GAO STUDY
WITH A U.S. LABEL MAKING IT HIGHLY SUSCEPTIBLE TO
PERCEPTION IN VENEZUELAN AS A U.S. REVIEW OF GOV'S DISCHARGE
OF ITS FISCAL AND FINANCIAL RESPONSIBILITIES, REGARDLESS OF
THE STRESS THAT THE EMBASSY OR THE COMPTROLLER MAY GIVE TO THE
TRAINING FUNCTION. IN ADDITION, A NUMBER OF IMPORTANT DEVELOP-
MENTS HAVE TAKEN PLACE SINCE THE EMBASSY'S LAST MESSAGE
(CARACAS 5082) WHICH MAKE IT CLEAR THAT THIS ACTIVITY WILL
PUT US SQUARELY IN ONE OF THE MOST SENSITIVE OF
VENEZUELA'S SEVERAL POLITICAL ARENAS AT A PARTICULARLY
INOPPORTUNE TIME.

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2. VENEZUELA IS IN THE MIDDLE OF A BITTERLY FOUGHT
PRESIDENTIAL ELECTION CAMPAIGN. CHARGES BY THE OPPOSI-
TION PARTY OF WASTE, MISMANAGEMENT, AND CORRUPTION HAVE
BECOME MAJOR ISSUES. THE COMPTROLLER'S OFFICE ITSELF
ISSUED ITS ANNUAL REPORT MAY 31 CITING PUBLIC INEFFICIENCIES
AND DEFICIENCIES AS THE MAJOR ILLS FACING THE PUBLIC SECTORY,

AND COVERING PRECISELY THE QUESTIONS OF FISCAL AND FINANCIAL RESPONSIBILITY AND THE ACCOUNTING/AUDITING SYSTEMS IN WHICH GAO IS INTERESTED. THE OPPOSITION HAS CALLED FOR A MAJOR DEBATE BY CONGRESS IN THE IMMEDIATE FUTURE ON THESE ISSUES, WHICH WILL PROBABLY OCCUR AT THE PRECISE TIME THE GAO TEAM WOULD BE HERE. WHILE SUCH THINGS CAN OBVIOUSLY BE DISCUSSED AND ANALYZED INTERNALLY BY VENEZUELAS, THE PRESENCE OF FOREIGN GOVERNMENT EXPERTS LOOKING INTO THE SAME THING IS SOMETHING ELSE AGAIN. THE POINT IS NOT THE INTENTION OR MOTIVE IN OUR OWN MINDS, BUT THE MERE PRESENCE OF THE INVESTIGATORS ASKING THESE KINDS OF QUESTIONS IN THIS KIND OF SUPERCHARGED ATMOSPHERE. THIS IS ALMOST SURE TO BE MISINTERPRETED.

3. WHAT MAKES THE PROBLEM REALLY ACUTE IS THE RECENT FLAP RESULTING FROM THE LEAK OF A SERIES OF USG BRIEFING PAPERS (REFS D,E,F AND G) REPORTED BY A MAJOR WIRE SERVICE DURING THE LAST SEVERAL DAYS, INCLUDING ONE WHICH CHARACTERIZES THE GOV AS SUSCEPTIBLE TO CHARGES OF MIS-MANAGEMENT OF ITS INCOME, WHICH PRESIDENT PEREZ HAS PUBLICLY TERMED "INSULTING" TO VENEZUELA. THE USG WAS IN FACT SUCKED INTO THE POLITICAL CAMPAIGN AS A RESULT OF THESE LEAKS. ALL THIS HAS LEFT THE GOVERNMENT, THE POLITICAL PARTIES AND PUBLIC GENERALLY EXTREMELY SENSITIZED TO USG PRESENCE OF ANY KIND WITH REFERENCE TO GOV ACTIVITIES. AGAIN, THE POINT IS NOT OUR INTENTION LIMITED OFFICIAL USE

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OR THE FACT THAT WE DO NOT INTEND TO PUBLISH A REPORT MENTIONING COUNTRIES. IT IS RATHER THE PRESENCE OF USG EXPERTS LOOKING INTO THE VERY KINDS OF THINGS THAT WERE THE SUBJECT OF THE FLAP. MISPERCEPTION AND INABILITY TO CORRECT IT ARE ALMOST CERTAIN TO OCCUR.

4. IN SUMMARY, EVEN THOUGH OUR MOTIVES ARE NON-POLITICAL, THE GAO WOULD BE TREADING IN POLITICAL EXPLOSIVE TERRITORY WHICH WE SHOULD NOT GET INVOLVED IN AND AT A TIME WHEN THE GOV IS ESPECIALLY SENSITIZED TO US.

5. IN VIEW OF DEVELOPMENTS DESCRIBED ABOVE, WE NO LONGER CONSIDER IT APPROPRIATE FOR THE GAO TEAM TO HAVE CONTACT WITH VARIOUS GOV OFFICES, INCLUDING THE COMPTROLLER'S OFFICE. WE WOULD BE PREPARED TO ARRANGE AN APPOINTMENT FOR THE GAO TEAM WITH THE LOCAL UNDP REPRESENTATIVE AND PROVIDE WHATEVER INFORMATION WE HAVE IN THE THE EMBASSY ON THE COMPTROLLER AND HIS FUNCTIONS. THIS, PLUS INFORMATION FROM NON-GOV SOURCES SUCH AS THAT IN AID WASHINGTON FILES ON EXTENSIVE TRAINING PROGRAMS IN FINANCIAL MANAGEMENT PROVIDED TO GOV IN THE LATE 1960'S BY STATE OF NEW YORK UNDER AID AUSPICES, COULD CONTRIBUTE TO THE

AIMS OF THE STUDY WITHOUT AROUSING GOV SENSITIVITIES.

6. A FURTHER POSSIBILITY WOULD BE TO DELAY THE REVIEW
UNTIL AFTER THE ELECTIONS IN DECEMBER. ALTERNATIVELY,
THE GAO COULD CHOOSE ANOTHER LATIN AMERICAN COUNTRY IN
PLACE OF VENEZUELA.
VAKY

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